

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-1-E - ORDER NO. 2014-545

JUNE 30, 2014

IN RE: Annual Review of Base Rates for Fuel Costs of Duke Energy Progress, Inc.) ORDER APPROVING) AND ADOPTING) ADJUSTMENT IN FUEL) COST RECOVERY) FACTORS
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I. BACKGROUND

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of base rates for fuel costs of Duke Energy Progress, Inc. (“DEP” or “Company”). The procedure followed by the Commission is set forth in S.C. Code Ann. § 58-27-865 (Supp. 2013), which provides for annual hearings to allow the Commission and all interested parties to review the prudence of the fuel purchasing practices and policies of an electrical utility and for the Commission to determine if any adjustment in a utility’s fuel cost recovery mechanism is necessary and reasonable.

The parties appearing before the Commission in this Docket were DEP, Nucor Steel – South Carolina (“Nucor”), and the South Carolina Office of Regulatory Staff (“ORS”) (collectively, referred to as the “Parties” or sometimes individually as a “Party”). Prior to the hearing, the Parties filed a Settlement Agreement dated June 12, 2014, (the “Settlement Agreement”) with the Commission. The Settlement Agreement,

including its attachment, is attached hereto as Order Exhibit 1 and is incorporated in and made part of this Order.

II. JURISDICTION OF THE COMMISSION

In accordance with S.C. Code Ann. § 58-27-140(1) (Supp. 2013), the Commission may, upon petition, “ascertain and fix just and reasonable standards, classifications, regulations, practices or service to be furnished, imposed, observed, and followed by any or all electrical utilities.” Further, S.C. Code Ann. § 58-27-865(B) (Supp. 2013) states, in pertinent part, that “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or (under)-recovery from the preceding twelve-month period.”

Consistent with the requirements of S.C. Code Ann. § 58-27-865(B), the Commission convened an evidentiary hearing to determine the reasonableness of the Parties’ settlement and whether acceptance of the settlement is just, fair and in the public interest.

III. DISCUSSION OF THE HEARING AND THE SETTLEMENT AGREEMENT

The public evidentiary hearing in this matter was held on June 19, 2014, before this Commission with the Honorable G. O’Neal Hamilton presiding as Chairman. Representing the Parties were Brian L. Franklin, Esquire, and Frank R. Ellerbe, III, Esquire, for the Company; Robert R. Smith, II, Esquire, and Michael K. Lavanga,

Esquire, for Nucor; and Jeffrey M. Nelson, Esquire, for ORS. At the hearing, the Parties presented the Settlement Agreement, which was admitted into the record as Hearing Exhibit 1. In the Settlement Agreement, the Parties represented to the Commission that they had discussed the issues presented in this case and determined that each Party's interests and the public interest would be best served by settling all issues pending in this case in accordance with the terms and conditions contained in the Settlement Agreement.

Further, the Parties presented witnesses in support of the Settlement Agreement and various other matters related to the Company's base rates for fuel costs. The Company presented the testimonies of Alexander "Sasha" J. Weintraub, Joseph A. Miller, Jr., T. Preston Gillespie, Jr., Kenneth D. Church, and Kimberly D. McGee via two (2) panels. The pre-filed direct testimony of all Company witnesses, including the revised direct testimony of Joseph A. Miller, Jr., were accepted into the record without objection or cross-examination by the Parties, and the Company witnesses' exhibits were marked as composite Hearing Exhibits 4, 5, 6, 8 and 9 and were entered into the record of the case.¹

Company witness Gillespie discussed the performance of DEP's nuclear generation fleet during the review period.² He reported to the Commission that DEP achieved a net nuclear capacity factor, excluding reasonable outage time, of 102.21% for

¹ Composite Hearing Exhibit 4 consists of the two non-confidential Direct Testimony Exhibits 1 and 2 of T. Preston Gillespie, Jr.; Composite Hearing Exhibit 5 consists of the Confidential Direct Testimony Exhibit 3 of T. Preston Gillespie under seal; Hearing Exhibit 6 consists of the Direct Testimony Exhibits 1 and 2 of Kenneth D. Church; Composite Hearing Exhibit 8 consists of the Direct Testimony Exhibits 1 and 2 of Alexander J. "Sasha" Weintraub; and, Composite Hearing Exhibit 9 consists of the Direct Testimony Exhibits 1 through 6 of Kimberly D. McGee.

² Pursuant to the Company's request at the hearing, the Commission granted the Motion of DEP to treat specific material filed in the present proceeding as confidential. Specifically, the Commission Ordered that Exhibit 3 of DEP witness Gillespie's testimony should be treated as confidential and remain under seal.

the current period, which is above the 92.5% set forth in S.C. Code Ann. § 58-27-865 (Supp. 2013).

Company witness Church testified regarding the Company's nuclear fuel purchasing practices and costs for the review period and described changes expected in the 2014-2015 forecast period.

Company witness Miller testified regarding DEP's fossil/hydro generation portfolio and changes made since the prior year's filing, changes expected in the near term and the performance of DEP's fossil/hydro generation facilities during the period of March 1, 2013, through February 28, 2014.

Company witness Weintraub testified regarding DEP's fossil fuel purchasing practices and costs for the period of March 1, 2013, through February 28, 2014, and described related changes forthcoming for the period July 1, 2014, through June 30, 2015, as well as an update on the Joint Dispatch Agreement pursuant to the merger between Duke Energy Corporation and Progress Energy, Inc.

Company witness McGee testified regarding the Company's procedures and accounting for actual fuel costs and actual environmental costs incurred for the period March 1, 2013, through February 28, 2014, and the associated over/(under)-recovery of such costs, estimated as of June 30, 2014. Ms. McGee also testified to the manner in which the Company had projected its fuel and environmental costs for the period July 1, 2014, through June 30, 2015, and used such projections in developing its proposed fuel factors. Ms. McGee explained that in compliance with S.C. Code Ann. § 58-27-865(A)(1) (Supp. 2013), the Company calculated an environmental component for the

Residential, General Service (non-demand and demand), and Lighting customer classes. Environmental costs, and any associated over/under recovery balance of environmental costs are allocated among the four (4) customer classes based upon firm peak demand. The resulting allocated costs are converted to the environmental component in cents per kilowatt-hour (“kWh”) and added to the fuel component for the Residential and General Service (non-demand) classes, and are converted to a separate environmental charge for the General Service (demand) class expressed in cents per kilowatt “kW”. Next, Ms. McGee proposed in her direct testimony the combined fuel factors of 3.023 ¢/kWh for Residential customers, 2.997 ¢/kWh for General Service (non-demand), and 2.958 ¢/kWh for General Service (demand), and Lighting customers.

In her settlement testimony, Ms. McGee supported the settlement and recommended a reduction in the fuel factors as proposed in her direct testimony. Ms. McGee explained that the Company had agreed to adjust the cumulative (under)-recovered base fuel cost balance for the period ending June 30, 2014, to (\$18,720,972) and the over-recovered environmental cost balance to \$434,103. She further explained that the Company had agreed to accept three adjustments proposed by ORS to the estimated cumulative (under)-recovery of fuel and fuel related expenses: (1) an adjustment of \$343,999 to the cogeneration and renewable energy purchases from April 2013 through December 2013; (2) an adjustment of \$494,649 to the estimated fuel billing factor for the months of April, May, and June 2014; and (3) a small adjustment of (\$5,265) due to rounding issues related to the change in the methodology of computing the cumulative over/(under) recovery balance to be based on a cents/kWh basis.

Nucor did not file testimony in this Docket. Following the Company witnesses, ORS presented the direct testimony of Mr. Joseph W. Coates (as adopted by Ms. Ivana C. Gearheart) and Mr. Michael L. Seaman-Huynh, also via panel. Ms. Gearheart sponsored composite Hearing Exhibit 2 and Mr. Seaman-Huynh sponsored composite Hearing Exhibit 3.³

ORS witness Gearheart presented, through the pre-filed direct testimony and exhibits of ORS witness Coates, the results of the ORS Audit Staff's examination of DEP's books and records pertaining to the Fuel Adjustment Clause operation for the actual period of March 2013 through February 2014. The estimated months of the review period, March 2014 through June 2014, were also reflected in Mr. Coates' pre-filed testimony. The Parties agreed to accept all adjustments as set forth in the testimony of ORS witness Coates.

Mr. Seaman-Huynh presented direct testimony for ORS regarding the Company's fuel expenses and power plant operations and sponsored composite Hearing Exhibit 3.⁴ Mr. Seaman-Huynh testified to ORS's examination of the Company's fossil and nuclear fuel procurement, fuel transportation, environmental reagent purchases, nuclear, fossil and hydro generation performance, plant dispatch, forecasting, resource planning, purchased power and the Company's policies and procedures.

In summary, through the testimony and exhibits presented to the Commission in this proceeding, the Parties represent that settling all issues in this case in accordance

³ Composite Hearing Exhibit 2 consists of the Direct Testimony Exhibits of Michael L. Seaman-Huynh (Exhibits 1-14) and Composite Hearing Exhibit 3 consists of the Direct Testimony Exhibits of Joseph W. Coates (Exhibits 1-7).

⁴ See Footnote 3.

with the terms and conditions contained in the Settlement Agreement is just, fair, reasonable and in the public interest. The terms of the Settlement Agreement are summarized as follows:

- a) The Parties agree to accept recommendations in ORS witness Seaman-Huynh's testimony and all accounting adjustments as set forth in ORS witness Coates' pre-filed direct testimony and exhibits.
- b) The testimony supported the terms of the Settlement Agreement regarding the appropriate fuel factors for DEP to charge for the period beginning with the first billing cycle in July 2014 and continuing through the last billing cycle of June 2015, which are listed in the following table below:

Class	Base Fuel Cost Component (cents/kWh)	Environmental Fuel Cost Component (cents/kWh)	Total Fuel Costs Factor (cents/kWh)
Residential ⁵	2.968	0.042	3.010
General Service (non-demand)	2.945	0.039	2.984
General Service (demand) ⁶	2.945	0.000	2.945
Lighting	2.945	0.000	2.945

- c) DEP has agreed to accept an adjustment of \$343,999 made by ORS in March 2014, certain rounding adjustments, as well as ORS's recalculation of estimated fuel costs for the months of April, May, and June 2014, resulting in a total over-recovery adjustment of \$833,383 to the Company's base fuel costs.

⁵ The Residential Base Fuel Component includes a Residential Energy Conservation Discount (RECD) factor of 0.7683%.

⁶ The Environmental Fuel Cost Component for these customers is 14 cents per kW.

- d) The Parties further agree that, except as noted below, any challenges to DEP's historical fuel costs recovery for the period ending February 28, 2014, are not subject to further review; however, the projected fuel costs for periods beginning March 1, 2014, and thereafter shall be open issues in future fuel cost proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.
- e) With regard to plant outages not complete as of February 28, 2014, and plant outages where final reports (Company, contractor, government reports or otherwise) are not available, the Parties agree that Nucor and ORS retain the right to review the reasonableness of plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) become available.
- f) DEP agrees that, in an effort to keep the Parties and DEP's customers informed of the over/(under) recovery balances related to fuel costs and of DEP's commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, DEP will provide to Nucor and ORS, and where applicable, its other customers the following information:
 - 1. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
 - 2. Quarterly forecasts (during each of the three quarters in which there is no annual fuel proceeding but not in the quarter where DEP makes its annual fuel filing) of the expected fuel factor to be set at its next annual fuel proceeding based upon DEP's historical over/(under) recovery to date and DEP's forecast of prices for

uranium, natural gas, coal, oil and other fuel required for generation of electricity. DEP agrees that it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

- g) DEP agrees to continue to examine and make adjustments as necessary to its natural gas hedging program in light of the reduced volatility in the domestic natural gas market. DEP also agrees to provide monthly natural gas hedging reports to Nucor and ORS.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Having heard the testimony of the witnesses and representations of counsel and after careful review of the Settlement Agreement, the Commission finds that approval of the terms set out in the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2013), and is supported by the substantial evidence in the record. The Settlement Agreement's terms allow recovery in a precise and prompt manner while assuring public confidence and minimizing abrupt changes in charges to customers. As such, approval of the Settlement Agreement is in the public interest as a reasonable resolution of the issues in this case. Additionally, the Commission finds that the methodology for determining the

environmental cost component of the fuel factors used by DEP in this proceeding is consistent with the statutory requirements of S.C. Code Ann. § 58-27-865 (Supp. 2013), and is just and reasonable. The Commission further finds that the Settlement Agreement's terms provide stabilization to the fuel factors, minimize fluctuations for the near future, and do not appear to inhibit economic development in South Carolina. Additionally, the Commission finds and concludes that the Settlement Agreement affords the Parties the opportunity to review costs and operational data in succeeding fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2013).

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit 1, and the pre-filed direct testimony of ORS's witnesses Joseph W. Coates and Michael L. Seaman-Huynh, and DEP witnesses Alexander "Sasha" J. Weintraub, T. Preston Gillespie, Jr., Kenneth D. Church, revised direct testimony of Joseph A. Miller, Jr., and the pre-filed direct and settlement testimony of Kimberly D. McGee, along with their respective exhibits entered into evidence as composite Hearing Exhibits 2-6, and 8, are accepted into the record in the above-captioned case without objection. Lastly, the oral testimony of the above witnesses presented at the hearing on June 19, 2014, is also incorporated into the record of this case.

2. The fuel purchasing practices, plant operations, and fuel inventory management of DEP related to the historical fuel costs and revenues for the period ending February 28, 2014, are prudent.

3. The Settlement Agreement is incorporated into this present Order by reference and attachment and is found to be a reasonable resolution of the issues in this case and to be in the public interest.

4. DEP shall set its Residential base fuel factor at 2.968 cents per kWh and General Service (non-demand and demand) and Lighting base fuel factors at 2.945 cents per kWh (not including applicable environmental components) effective for bills rendered on and after the first billing cycle of July 2014, and continuing through the last billing cycle of June 2015.

5. DEP shall set its environmental component billing factor at 0.042 cents per kWh for the Residential class, 0.039 cents per kWh for the General Service (non-demand) class, and 14 cents per kW for the General Service (demand) class for bills rendered on or after the first billing cycle of July 2014 and continuing through the last billing cycle of June 2015.

6. The Parties shall abide by the terms of the Settlement Agreement.

7. DEP shall e-file all retail tariffs related to this Docket with this Commission within ten (10) days of the Company's receipt of this Order.

8. DEP shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865.

9. DEP shall utilize the methodology for developing the environmental component billing factor for each rate class to recover "variable environmental costs" under S.C. Code Ann. § 58-27-865(A)(1) established by the Settlement Agreement in Docket No. 2007-1-E and approved in Order No. 2007-440.

10. DEP shall continue to file the monthly reports as previously required.

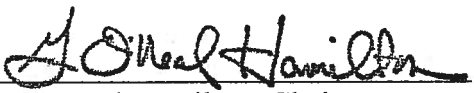
11. DEP shall continue to examine and make adjustments as necessary to its natural gas hedging programs and submit monthly natural gas hedging reports to the Parties.

12. DEP shall, by rate class, account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

13. DEP shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 megawatts ("MW") or greater.

14. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


G. O'Neal Hamilton, Chairman

ATTEST:



Nikiya Hall, Vice Chairman

(SEAL)



BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-1-E

June 12, 2014

IN RE: Annual Review of Base Rates for)
Fuel Costs of Duke Energy Progress,) **SETTLEMENT AGREEMENT**
Incorporated)

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff ("ORS"), Nucor Steel – South Carolina ("Nucor"), and Duke Energy Progress, Inc. ("DEP" or the "Company") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the procedure established in S.C. Code Ann. § 58-27-865 (Supp. 2013), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine whether a settlement of the issues would be in their best interests;

WHEREAS, following these discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Joseph W. Coates (as adopted by ORS witness

Ivana Gearheart) and Michael L. Seaman-Huynh, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record, without objection or cross-examination by the Parties, before the Commission the pre-filed direct testimony and exhibits of Company witnesses Kenneth D. Church, T. Preston Gillespie, Jr. (includes redacted public and unredacted confidential version of Gillespie Exhibit 3), and Sasha J. Weintraub; the pre-filed direct ~~and~~ revised testimony of Joseph A. Miller, Jr.; and, the pre-filed direct testimony and exhibits and settlement testimony of Kimberly D. McGee. Nucor did not pre-file testimony in this Docket. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits, this Settlement Agreement and Attachments. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. As a compromise to positions advanced by Nucor, DEP and ORS, the Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

3. DEP's cumulative (under)-recovered base fuel cost balance for the period ending June 30, 2014, is projected to be (\$18,720,972) and the over-recovery environmental cost balance is projected to be \$434,103.

4. The appropriate fuel factors for DEP to charge for the period beginning with the first billing cycle in July 2014 extending through the last billing cycle of June 2015 are listed below. These fuel factors include environmental costs and the (under)-recovered fuel costs.

Class	Base Fuel Cost Component (cents/kWh)¹	Environmental Fuel Cost Component (cents/kWh)	Total Fuel Costs Factor (cents/kWh)
Residential²	2.968	0.042	3.010
General Service (non-demand)	2.945	0.039	2.984
General Service (demand)	2.945	0.000 ³	2.945
Lighting	2.945	0.000	2.945

5. The Parties agree that the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2013).

6. The Parties agree to accept all recommendations in ORS witness Michael L. Seaman-Huynh's pre-filed direct testimony and the accounting adjustments as put forth in ORS witness Joseph W. Coates' Exhibit JWC-5 attached to his pre-filed Direct Testimony.

7. ORS thoroughly reviewed and investigated DEP's nuclear operations during the review period. As shown in ORS witness Seaman-Huynh's Exhibit MSH-2, DEP's nuclear fleet achieved an actual system capacity factor during the review period of 86.9%. DEP achieved this capacity factor notwithstanding the fact that it experienced three (3) scheduled refueling outages, four (4) maintenance outages, and five (5) forced outages during the review period. S.C. Code Ann. § 58-27-865 states that:

There shall be a rebuttable presumption that an electrical utility made every reasonable effort to minimize cost associated with the operation of its nuclear generation facility or system, as applicable, if the utility achieved a net capacity factor of ninety-two and one-half percent or higher during the period under review. The calculation of the net capacity factor shall exclude reasonable outage time associated with reasonable refueling, reasonable maintenance, reasonable repair, and reasonable equipment replacement outages; the reasonable reduced power generation experienced by nuclear units as they approach a refueling outage; the reasonable reduced power generation experienced by nuclear

¹ As shown in Settlement Agreement Attachment A.

² The Residential Base Fuel Factor includes a RECD factor of 0.7683%.

³ The environmental rate for these customers is 14 cents per kW.

units associated with bringing a unit back to full power after an outage; Nuclear Regulatory Commission required testing outages unless due to the unreasonable acts of the utility; outages found by the commission not to be within the reasonable control of the utility; and acts of God. The calculation also shall exclude reasonable reduced power operations resulting from the demand for electricity being less than the full power output of the utility's nuclear generation system.

Excluding all reasonable outage time pursuant to S.C. Code Ann. §58-27-865(F), DEP's net capacity factor for the review period was 102.21%.

8. DEP has agreed to accept an adjustment of \$343,999 made by ORS in March 2014, certain rounding adjustments, as well as ORS' recalculation of estimated fuel costs for the months of April, May, and June 2014, resulting in a total over-recovery adjustment of \$833,383 to the Company's base fuel costs. These adjustments are reflected in the cumulative (under) recovered base fuel cost balance in No. 3 above.

9. The Parties further agree that, except as noted herein, any challenges to DEP's historical fuel cost recovery for the period ending February 28, 2014, are not subject to further review; however, the projected fuel costs for periods beginning March 1, 2014, and thereafter shall be open issues in future fuel cost proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.

10. With regard to plant outages not complete as of February 28, 2014, and plant outages where final reports (Company, contractor, government reports or otherwise) are not available, the Parties agree that Nucor and ORS retain the right to review the reasonableness of plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) become available.

11. DEP agrees that in an effort to keep the Parties and DEP's customers informed of the over/under recovery balances related to fuel costs and of DEP's commercially reasonable

efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, DEP will provide to Nucor and ORS, and where applicable, its customers the following information:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts (during each of the three quarters in which there is no annual fuel proceeding but not in the quarter where DEP makes its annual fuel filing) of the expected fuel factor to be set at its next annual fuel proceeding based upon DEP's historical over/(under) recovery to date and DEP's forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. DEP agrees that it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

12. DEP agrees to continue to examine and make adjustments as necessary to its natural gas hedging program in light of the reduced volatility in the domestic natural gas market. DEP also agrees to provide monthly natural gas hedging reports to Nucor and ORS.

13. Nothing contained in this Settlement Agreement alters, amends, or changes the methodology established for determining the environmental factor for DEP's rate classes as set forth in Paragraphs 3(B) and (C) of the Settlement Agreement filed with and approved by the Commission in Docket No. 2007-1-E.

14. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2013). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the state's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

15. The Parties agree that this Settlement Agreement is reasonable, is in the public interest, and is in accordance with law and regulatory policy.

16. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

17. This written Settlement Agreement contains the complete agreement of the Parties regarding this matter. There are no other terms or conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty by providing written notice of intent to do so within five (5) working days of notice of the Commission's decision not to approve the

Settlement Agreement in its entirety. In the event any Party withdraws under such circumstances, the Settlement Agreement is null and void, each Party shall have the opportunity to present evidence and advocate its position in the proceeding, and the Parties shall work together in good faith to develop and propose a new procedural schedule to put the Parties back in the position they were in prior to the settlement.

18. This Settlement Agreement shall be interpreted according to South Carolina law.

19. Except as expressly set forth herein, this Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 in any future proceeding. This Settlement Agreement does not establish any precedent with respect to the issues resolved herein, and in no way precludes any Party herein from advocating an alternative methodology under S.C. Code Ann. § 58-27-865 (Supp. 2013) in any future proceeding.

20. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

21. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in

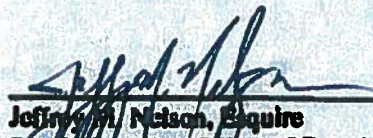
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**counterparts, with the various signature pages combined with the body of the document
constituting an original and provable copy of this Settlement Agreement.**

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

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Calculation of Base Fuel Component
Duke Energy Progress, Inc.
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ATTACHMENT A

Projected Fuel Expense: July 2014 through June 2015	
Cost of Fuel	\$1,457,627,451
System Sales (MWh)	54,924,720
Average Cost (cents/kWh)	2.654
Revenue Difference To be Collected from July 2014 through June 2015	
(Over)/Under-Recovery at June 30, 2014	\$18,720,972
Projected S.C. Retail Sales (MWh)	6,440,969
Average Cost (cents/kWh)	0.291
Base Fuel Cost Per kWh: Projected Period	
Average Fuel Cost (cents/kWh)	2.654
Revenue Difference (cents/kWh)	0.291
Base Fuel Component (cents/kWh)	2.945